

**Toronto Islands
Residential Community Trust Corporation**



**ANNUAL REPORT
2013-14**

JULY 16, 2014

**Minister of Municipal Affairs
and Housing**

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TO THE LIEUTENANT GOVERNOR
OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

For the information of Your Honour and the Legislative Assembly, I am presenting the
Annual Report and audited financial statements of the Toronto Islands Residential
Community Trust Corporation for the fiscal year 2013/14.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Ted McMeekin", written over a circular stamp.

Ted McMeekin

Minister Municipal Affairs & Housing



TORONTO ISLANDS RESIDENTIAL
COMMUNITY TRUST CORPORATION

102 Lakeshore Avenue, Ward's Island, Toronto, Ontario M5J 1X8
(416) 203-6163 fax (416) 203-6163 email trust@torontoisland.org

July 16, 2014

To the Honourable Ted McMeekin
Minister of Municipal Affairs and Housing

Minister,

On behalf of the Trust and Board of Directors, I am pleased to submit the
Toronto Islands Residential Community Trust Corporation's Annual Report,
2013-14, together with its audited financial statements for the period
2013-14.

Respectfully submitted,

A handwritten signature in dark ink, appearing to be "L. Filyer", written in a cursive style.

Lorraine Filyer

Chair

Toronto Islands Residential Community Trust Corporation

Message from the Chair:

This past year has been another busy and productive year for the Toronto Islands Residential Community Trust Corporation. Our administrator, Amanda Street-Bishop, completed her first full year of employment in October 2013 and she continues to bring a high level of professionalism to her work with the Trust. Her enthusiasm and goodwill have put a positive face to the organization and have endeared her to all of the volunteers and members of the community and public who work and interact with her.

Thank you to outgoing Trust board members – Ravi Bhusia, Annie Szamosi and Richard Stromberg – for their dedication to the Trust and the community. And thanks to all of my colleagues on the board and the staff of the Municipal Services Office - Central Region of the Ministry of Municipal Affairs and Housing for their ongoing support.

The Trust has completed the first year of its strategic plan; the priorities identified in the plan will continue to guide our operations until 2016. We continued to manage and administer Trust obligations and made progress in levy collection and improving overall communications with the Island community and the public. As well, the Trust developed an accessibility plan, arranged inspection reports for all six Trust properties and put in place tracking systems to ensure the organization is meeting its service standards. The Trust also managed the sale of four Island homes; always a bittersweet task as Islanders say goodbye to former neighbours and welcome new people to the community.

I look forward to continue to work with my colleagues on the board and the many community volunteers who support the Trust to ensure we meet the mandate of the Trust and preserve the legacy of the Island community.



Lorraine Filyer
Chair

Toronto Islands Residential Community Trust Corporation 2013-14 Annual Report

A. ABOUT THE TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION

Under the *Toronto Islands Residential Community Stewardship Act, 1993* (the Act), residents of Ward's Island and Algonquin Island may hold title to their homes, and may lease the lots on which their houses are located.

The Toronto Islands Residential Community Trust Corporation (the Trust) was established in December 1993 to manage the leasing process, the lands specified in the Act and six related community buildings on behalf of the Island residents and the public. These are:

- The Algonquin Island Association Clubhouse, located at 18 Wyandot Avenue on Algonquin Island
- The Shaw House, located at 108 Lakeshore Avenue on Ward's Island
- The Rectory, located at 102 Lakeshore Avenue on Ward's Island
- The Old Fire hall, located at 101 Cibola Avenue on Ward's Island
- The two Ward's Island Association Clubhouse Buildings, located at 18 and 20 Withrow Street on Ward's Island

The lands administered by the Trust for residential purposes and the six community buildings are vested in the province under the Act. They are leased to the Trust until December 15, 2092, under specified conditions set out in the Act.

The Trust is managed by a board of directors (the board) consisting of up to 15 members. Board members are appointed on the recommendation of the Minister of Municipal Affairs and Housing by the Lieutenant Governor in Council. In 2013-14, the board was composed of six volunteer members and supported by one part-time staff person. Four of the six board members were employees of the Ontario Public Service and two members were Island residents.

Trust operations are financed by a levy on leaseholders, property rentals, administrative fees and investment income. The Trust receives no provincial funding.

The Memorandum of Understanding, signed in 2011, clarifies the mandate of the Trust and the accountability relationship between the Minister and the Trust. It will be reaffirmed by the chair and the new Minister of Municipal Affairs and Housing, the Honourable Ted McMeekin.

To comply with the province's Agency Establishment and Accountability Directive, the Trust Chair is required to provide the Minister annually with a Three-Year Business Plan and an Annual Report. In 2012-13, the Trust also prepared and released its first ever Strategic Plan for the 2013-16 planning period.

B. MANDATE

The Trust's mandate is set out in the Act and is complemented by a Memorandum of Understanding between the Trust and the Minister of Municipal Affairs and Housing. The mandate of the trust includes the following responsibilities:

- Managing the land and other buildings and structures on the land described in the Schedule to the Act for the benefit of the residential community on the Toronto Islands and the public;
- Operating the buildings and structures on the land described in the Act for the benefit and enjoyment of the public;
- Ensuring that the public has reasonable access to the buildings and structures operated by the Trust;
- Managing the sale of houses and land leases and vacant land leases on the Toronto Island;
- Raising sufficient revenues to carry out the objects of the Trust.

To carry out its responsibilities, the Trust must maintain a waiting list of people who wish to purchase land leases when they become available. This Purchasers' List contains up to 500 positions.

The Trust must also raise sufficient revenue to fulfill its mandate, administer the Trust's operations and manage the six community buildings for the benefit of both the community and the public.

C. TRUST GOVERNANCE

Board of Directors, Committees and Staff

The Trust's board of directors is appointed by the Lieutenant Governor in Council. It generally consists of four directors who are Ontario Public Service appointees and two directors who are Island residents (as nominated/elected by the Island community at large). The board elects the following officers from amongst its members: chair, vice-chair, treasurer and secretary. One new member joined the board in 2013-14 to replace an outgoing member.

Board appointees in 2013-14 were:

Board Member	Appointment Initial Date	Appointment Expiry Date	Appointee of
Lorraine Filyer Chair	April 1, 2012	March 31, 2015	Island Resident
Susan Wang Treasurer	July 29, 2010	March 31, 2015	Ontario Public Service
Ravi Bhusia Secretary	July 29, 2011	March 31, 2014	Ontario Public Service
Astero Patsali Vice Chair	July 29, 2011	March 31, 2015	Ontario Public Service
Richard Stromberg	April 1, 2013	March 31, 2014	Ontario Public Service
Annie Szamosi	April 1, 2012	March 31, 2014	Island Resident

The Trust office is staffed by an administrator on a part-time basis. The Trust office is also supported by a part-time bookkeeper and temporary staff as needed.

Board Meetings

In 2013-14, the board held 13 meetings to oversee Trust business and to ensure the objects of the Trust were met. Meetings are open to the community and the public. Members of the Toronto Island Community Association (TICA) regularly attended the meetings.

The board also attended two community meetings. At the first meeting on June 11, 2013, the community endorsed the Trust's 2013-14 budget prior to final board approval. At the second meeting on October 8, 2013, the community received the Trust's 2012-13 audited financial statements as presented by a representative of the auditing firm of Clarke Henning.

Board Committees

In 2013-14, the Trust continued to be supported by the following committees: Communications, Finance, Governance, Management and Properties as well as two ad hoc sub-committees – Appraisal and Lease Breach. The purpose of the committees is to provide advice and recommendations to the board so that the board can ensure that the financial and operational activities of the Trust are carried out in the most efficient, economical manner and in accordance with acceptable accounting practices and applicable government legislation, regulations, directives, guidelines, and policies.

The committees are composed of board members, TICA members and Island community volunteers. The administrator has an active role in supporting all of these committees.

Community Volunteerism

The Trust views the community as a partner and welcomes and relies on community volunteers to provide additional perspectives in its deliberations and to inform its decisions in carrying out the mandate of the Trust. Community volunteers are also involved in other community related activities that contribute to a healthy and vibrant island community.

Community volunteer activities include the following:

- operating five of the six Trust buildings
- assisting with open houses related to sales of Island homes
- undertaking projects that enhance the beauty of the eastern part of the Island
- holding annual garden and house tours to benefit both community and charitable activities
- offering programs for children and youth
- running a concert series at the church
- serving as members of groups that deal with waterfront issues and city-wide cycling initiatives, and
- participating in annual clean-ups of the park.

Both Islanders and the general public participate in many of these activities.

D. OPERATIONAL ACTIVITIES IN 2013-14

The Trust's core activities include:

- Conducting the sale and permitted transfers of leases and homes on leaseholds.
- Managing six community buildings, in cooperation with the Island community and leaseholders.
- Disseminating information about and managing the lease process, and overseeing compliance with lease agreements. This includes informing and responding to inquiries from leaseholders, prospective leaseholders, third parties and the Ministry of Municipal Affairs and Housing, as required.
- Maintaining official records of existing leases and common facilities, including the Property Register.
- Maintaining the Purchasers' List.
- Achieving compliance with mandatory aspects of the Government of Ontario agency-related directives that apply to the Trust.

The Trust also conducts ongoing reviews of its policies and procedures to ensure transparency and consistent application and achieve efficiencies.

In 2013-14, the Trust undertook a number of activities and made progress in several areas as follows:

Purchasers' List

Under the Act, the Trust is required to create a waiting list for potential purchasers of Island homes and land leases. In 2013-14, the Purchasers' List was reopened. Two hundred and sixty-six applications were received for the 32 available spots on the list. A draw was conducted by the accounting firm of Clarke Henning. All new members of the list were notified by December 21, 2013.

House Sales

In 2013-14, there were four house sales. In accordance with the provisions of the Act, notices of the house sales were sent to the first 250 names at the top of the Purchasers' List. The houses all closed on or before August 30, 2013. A new appraiser was appointed by the Trust to carry out appraisals for these house sales. The new appraiser developed a new template which is expected to be used by all Trust approved appraisers going forward, thereby ensuring consistent methodology is used in all appraisals aligned with the formula and criteria stipulated in the legislation.

Information Sharing

The Trust regularly receives and responds to leaseholder requests for information or access to documentation regarding their properties. The Trust also receives a large number of inquiries regarding the Purchasers' List. For example, from April 1, 2013 to March 31, 2014, the Trust office responded to 1030 telephone inquiries. Approximately a third of these were in reference to the Purchasers' List. The Trust also responded to 252 email enquiries regarding the Purchasers' List and thirty-seven letters directed to the Trust on various topics.

The Trust has developed a communications strategy to guide its communications with current and prospective leaseholders and the public at large. The Trust website is updated regularly with information about both Trust and Island activities. The website can be accessed at: torontoisland.org/land-trust.

Lease Compliance/Levy Payments

The Trust continues to focus resources in collecting the established annual levy payments from all leaseholders. Progress is ongoing as evidenced by a marked improvement in levy collection compared to the previous year. An additional 15% of leaseholders made payments for their 2012-13 levies in 2013-14, and 81% are up to date for their 2013-14 levies.

Managing Community Buildings

Maintenance of community buildings, vested in the province and managed by the Trust, for the benefit of the public and the community is ongoing. These buildings and facilities provide venues for organizational sports and recreational programs such as the Toronto Island Canoe Club and Camp, the Ward's Island Recreation Association lawn bowling and tennis and the Montessori Day Care and Camp at the Algonquin Island Association clubhouse. The buildings are also rented to the public for special functions, such as weddings, and two of the Trust buildings also house cafés. This rental income to the Trust helps to keep the buildings in good repair. The Rectory Café housed in the Rectory building is a popular dining destination for locals and the general public.

In 2013-14, building inspections were completed for all six of Trust buildings and a capital improvement plan was completed for one of its six buildings, as part of the Trust's asset management strategy. The Trust is working with the leaseholders of the other five buildings to have them develop similar plans to ensure longevity of

the building stock, continued enjoyment of the buildings and that risks or unforeseen costs or repairs are minimized.

The increased revenue from the negotiation of a new lease for the Rectory Café, consistent with current market rates, is expected to be used for any needed capital repairs to the building over the long run. This will ensure the continued use of the building for both commercial and Trust operations purposes.

In 2013-14, the Trust undertook the following capital improvements to the Rectory Café:

- a new heating and cooling system was installed
- upgrades to bathroom fixtures
- a new fireplace insert was installed.

Property Register

The Property Register outlines property information for all residential properties on Ward's and Algonquin Islands. The Property Register was updated and submitted to the City of Toronto as required in November 2013. The Property Register is updated throughout the year to keep it current for the annual submission to the City of Toronto.

E. OPERATIONAL PERFORMANCE

The Trust continues to adhere to the requirements of the province's directives including the Agency Establishment and Accountability Directive. The Memorandum of Understanding between the Trust and the province continues to be complied with. The Trust's 2014-17 Business Plan was developed and submitted according to the province's requirements and timelines, as was the Trust's 2012-13 Annual Report.

Achievement of Strategic Goals and Performance Targets

In its 2013-16 Business Plan, the Trust identified the following strategic goals:

The Trust board, its staff and members of its committees will have the skills and knowledge to carry out the mandate of the Trust.

The Trust is supported by several committees to carry out its objects. It maintains up to date terms of reference for all of its committees on an ongoing basis (last updated June 2013). Each committee reports into monthly board meetings with updates on activities or recommendations for action as necessary.

The Trust developed a training plan in 2013-14 for its board members and committee volunteers. Board members attended a KPMG Governance for Not-for-Profit Organizations workshop in October 2013. The Trust administrator attended an accessibility workshop in September 2013. Board members were also provided with an information session by its legal counsel on house appraisals that focused on calculating the equity factor.

The Trust recently developed an accessibility policy and plan that includes training material in accordance with the government's accessibility standard for Customer Service under the Accessibility for Ontarians with Disabilities Act. The material is available to board members, staff and volunteers on Trust committees and also posted on the Trust website.

The Trust will become a modern organization that delivers responsive services for the benefit of the residents and the public.

An inventory of by-laws, policies, procedures has been completed and a plan has been put in place for review. The Purchasers' List by-law has been updated and a new volunteer policy has been approved by the board. Both are posted on the Trust website.

The Terms of Reference have been updated for all committees and have been posted on the Trust website.

An information technology plan was developed and addresses on line collection of revenues and fees and storing and backup for Trust records. All information technology equipment has been upgraded, security protocols have been implemented and appropriate Internet service provider and technology support are in place to address technical issues.

The Trust conducted its business within the established service standards developed responding to over 1000 phone calls within two business days and 37 letters within 10 business days. The Trust undertook the sale of four Island homes starting in 2012-13. All four homes were sold in 2013-14 in accordance with the legislation.

The Trust will have a strong relationship with the Island community and the public in delivering its mandate through enhanced and consistent communications.

The Trust established a Communications Committee and the board approved a communications strategy for effective engagement of the Island community and the

general public. The committee has commenced communications through the Trust newsletter, community bulletins and community meetings.

All new and amended policies and committee terms of reference are posted on the Trust website.

The Trust will effectively manage the public buildings and the natural assets under its mandate to protect and preserve them for current and future uses.

The Trust actively works with the leaseholders of the Trust buildings to ensure that the buildings are maintained for the use of the Island community and the general public. Building inspections have been completed on all of the Trust buildings. The Trust through the Properties Committee continues to work with leaseholders to complete asset management plans to address any deficiencies from the inspection audits.

Notwithstanding the development of asset management plans, maintenance of Trust buildings is ongoing as evidenced by capital investments completed this year on the Rectory Café, the Algonquin Island Association Clubhouse and Ward's Island Association Clubhouse Buildings. In fiscal year 2013-14, windows and doors were replaced at the Algonquin Island Association Clubhouse, a new patio and skirting were put in at the Ward's Island Association Clubhouse and a new furnace and fireplace were installed at the Rectory Café.

An annual assessment of the trees on Trust land has been completed and going forward will include information on the viability of the trees, which will inform the development of a maintenance plan.

F. FINANCIAL PERFORMANCE

The Trust's 2013-14 budget, approved by the community on June 11, 2013 and by the Trust board on June 26, 2013, confirmed that the business of the Trust would continue to be financed primarily by a levy on the 262 leaseholders, as well as by property rental fees, administrative fees and investment income. The Trust receives no provincial or municipal funding to support its operations.

A copy of the 2013-14 audited financial statements is attached to this annual report. The audit found that the financial statements presented the financial position and financial performance fairly. As per the Trust's by-law, these audited financial statements will be presented to the community in the fall 2014. The audit of the Trust's financial statements for 2012-13 was presented to the community on October 8, 2013.

The following are summary tables of the actual results and variances against budget. Some additional details are in the audited financial statements in the appendix.

Revenues and Expenses:

	2013-14 Actuals	2013-14 Budget (approved)	Variances	Explanation
Revenue	\$191,213	\$191,369	\$156	
Expenses	152,054	187,572	35,518	See Note 1
Excess (deficiency) of revenue over expenses for the year	\$39,159	\$3,797		

Change in Net Assets:

	2013-14 Actuals	2013-14 Budget (approved)	Variances	Explanation
Transfer to Reserves	\$25,500	\$3,797	(\$21,703)	See Note 1

* See Note 2 for unappropriated balance.

Note 1:

Variance in expenses is mainly due to:

- Human Resources costs -- \$1,000 under budget for bookkeeping services; \$6,000 under budget for assistant due to more efficient staffing model;
- Grounds and tree maintenance -- \$8,000 under budget for trees and snow removal costs; and
- The 2013-14 approved budget for expenses included a figure of \$23,500 that was planned for transfer to reserves. To be consistent with the recommendation of the auditors and proper financial statement presentation, the amount was booked to the reserve account for a total transfer of \$25,500 in 2013-14. This explains both the expense variance and reserves transfer variance.

Note 2:

After the transfer to reserves, there is a resulting unappropriated balance of \$13,659 (\$39,159 excess of revenue over expenses - \$25,500 transfer to reserves).

Attachment:

Audited Financial Statements

**TORONTO ISLANDS RESIDENTIAL
COMMUNITY TRUST CORPORATION**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION

We have audited the accompanying financial statements of Toronto Islands Residential Community Trust Corporation (the "Trust"), which comprise the statements of financial position as at March 31, 2014 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

Toronto, Ontario
July 16, 2014

CHARTERED ACCOUNTANTS
Licensed Public Accountants



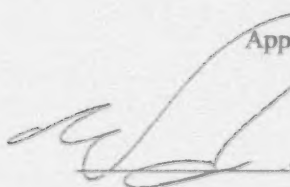
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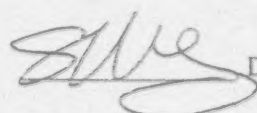
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Independent Accounting Firms

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	2014	2013
ASSETS		
Current assets		
Cash	\$ 38,591	\$ 40,806
Investments (note 2)	123,405	124,475
Accounts receivable - levies (note 3)	50,526	43,505
Accounts receivable - others (note 3)	3,976	15,858
Harmonized sales tax recoverable	9,803	609
Prepaid expenses	1,598	-
	227,899	225,253
Investments (note 2)	73,130	73,130
Property and equipment (note 4)	498,674	528,464
	799,703	826,847
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	9,240	46,789
Unamortized capital contribution	450,516	479,270
	459,756	526,059
NET ASSETS		
Reserve for contingencies (note 8)	233,070	228,070
Reserve for capital expenditure and major repairs (note 8)	38,400	18,400
Reserve for office expenses (note 8)	5,500	5,000
Unappropriated balance (note 7)	62,977	49,318
	339,947	300,788
	\$ 799,703	\$ 826,847

Approved on behalf of the Board:

 Director

 Director

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED MARCH 31, 2014

	2014	2013
Revenues		
Operating levy	\$ 82,873	\$ 82,586
Purchaser list fees and renewals	27,074	20,429
Administration fees	11,149	666
Rental income	60,185	26,435
Interest income	3,680	4,749
Other	6,252	17,529
	191,213	152,394
Expenses		
Human resources	64,469	69,732
Legal and audit	38,080	41,179
Repairs and maintenance	16,382	8,860
Office and general	10,664	18,562
Insurance	18,370	16,120
Depreciation expense - net (note 6)	4,036	3,963
Heating and electricity	53	3,293
	152,054	161,709
Excess (deficiency) of revenues over expenses for the year	\$ 39,159	\$ (9,315)

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2014

						Total	
	Reserve for Contingencies	Reserve for Capital Expenditures and Major Repairs	Reserve for Office Expenses	Unappropriated Balance		2014	2013
Balance - at beginning of year	\$ 228,070	\$ 18,400	\$ 5,000	\$ 49,318	\$	300,788	\$ 310,103
Excess (deficiency) of revenues over expenses for the year	-	-	-	39,159		39,159	(9,315)
Transfer to (from) reserves (note 8)	5,000	20,000	500	(25,500)	-	-	-
Balance - at end of year	\$ 233,070	\$ 38,400	\$ 5,500	\$ 62,977	\$	339,947	\$ 300,788

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

	2014	2013
Cash flows from operating activities		
Cash receipts from residents and others	\$ 183,200	\$ 169,827
Interest received	4,751	4,749
Cash paid to employees and suppliers	(187,166)	(148,379)
	785	26,197
Cash flows from investing activity		
Purchase of property and equipment	(3,000)	(14,546)
Change in cash during the year	(2,215)	11,651
Cash - at beginning of year	40,806	29,155
Cash - at end of year	\$ 38,591	\$ 40,806

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

Toronto Islands Residential Community Trust Corporation (the "Trust") was incorporated without share capital by The Toronto Islands Residential Community Stewardship Act of the Ontario Legislature. The Trust is to manage certain land and buildings on Toronto Islands for the benefit of the residential community on the islands and the public.

The Trust is managed by a board of not more than fifteen directors appointed by the Lieutenant Governor in Council.

The Province of Ontario has leased to the Trust, until December 15, 2092, all of the residential area on Toronto Islands. The Trust has leased to the owners of individual houses, the land on which their houses are situated for a period ending December 15, 2092, under the terms and conditions set out in the legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial Instruments

The Trust initially measures its financial assets and liabilities at fair value. The Trust subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash, investments, accounts receivable and accounts payable and accrued liabilities.

Revenue Recognition

The Trust's operating levy is recognized as revenue during the year to which the levy applies, purchaser list fees are recognized when earned and administration fees from sale of land leases are recognized when the land lease agreement is concluded.

Rental, interest and other income are recorded as revenue when they are earned.

Investments

Investments consist of guaranteed investment certificates and are recorded at cost plus accrued interest which approximates fair value.

Property and Equipment

The land lease of the residential area on Toronto Islands is recorded at nominal value. All other property and equipment are recorded at cost, or where cost is not determinable, at estimated replacement cost. Depreciation is provided over their estimated useful lives on a straight line basis at the following annual rates:

Leasehold interest in buildings and building improvements	- 2.5%
Furniture and equipment	- 10%-25%

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2014.

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Capital Contributions

The Province of Ontario's contribution of a leasehold interest in the non-residential buildings in the area managed by the Trust is being amortized and brought into income on a straight line basis over 40 years, being the expected useful lifetime of the buildings.

Reserves

The Trust maintains reserves for capital expenditure and major repairs, contingencies and for office expenses as Board-designated allocations out of net assets.

Use of Estimates

The preparation of Trust's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

2. INVESTMENTS

Details of investments are as follows:

	<i>Face Value</i>	<i>2014</i>	<i>2013</i>
\$ 72,000	TD Bank, 1 Year Cashable GIC, 1.25%, due August 18, 2014	\$ 72,560	\$ -
50,000	Home Trust Company, GIC, 2.25%, due June 30, 2014	50,845	51,170
72,000	Equitable Trust Co, GIC, 2.32% due July 27, 2015	73,130	73,130
72,000	HSBC Trust Company, GIC, 2.70%, due July 29, 2013	-	73,305
		<u>196,535</u>	<u>197,605</u>

Summary of investments is as follows:

Current investments maturing within 12 months	123,405	124,475
Long term investments	73,130	73,130
	<u>\$ 196,535</u>	<u>\$ 197,605</u>

The return on current year investments approximates 2.06% (2.42% - 2013).

3. ACCOUNTS RECEIVABLE

As at March 31, 2014 the carrying amount of impaired receivables totalled \$2,073 (\$2,073 - 2013). These receivables are presented net of an allowance for doubtful accounts of \$2,073 (\$2,073 - 2013).

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

4. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net Book Value	
			2014	2013
Land lease	\$ 1	\$ -	\$ 1	\$ 1
Leasehold interest in buildings	1,150,248	699,734	450,514	479,270
Furniture and equipment	37,958	36,662	1,296	3,888
Building improvements	59,279	12,416	46,863	45,305
	<u>\$ 1,247,486</u>	<u>\$ 748,812</u>	<u>\$ 498,674</u>	<u>\$ 528,464</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$1,289 at March 31, 2014 (\$978 - 2013).

6. DEPRECIATION OF PROPERTY AND EQUIPMENT

Net depreciation expense for the year is calculated as follows:

	2014	2013
Furniture and fixtures	\$ 2,592	\$ 2,592
Computer equipment	-	146
Building improvements	1,444	1,225
Leasehold interest in buildings	28,756	28,756
Less amortization of capital contribution	(28,756)	(28,756)
	<u>\$ 4,036</u>	<u>\$ 3,963</u>

7. NET ASSETS - UNAPPROPRIATED BALANCE

Included in the unappropriated balance of net assets is an amount invested in property and equipment. Changes in this amount during the year are as follows:

	2014	2013
Balance - at beginning of year	\$ 49,194	\$ 38,611
Property and equipment purchased	3,000	14,546
Amortization of property and equipment less amortization of deferred capital grants (note 6)	(4,036)	(3,963)
Balance - at end of year	<u>\$ 48,158</u>	<u>\$ 49,194</u>

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

8. NET TRANSFER TO (FROM) RESERVES

The Trust's Board established a reserve for contingencies in earlier years. It is the Board's intention to transfer to this reserve each year an additional amount representing interest earned on the reserve balance in order to avoid erosion of purchasing power of the reserve due to inflation. In accordance with this policy, an additional amount of \$5,000 was transferred in the 2014 fiscal year (\$5,000 in 2013).

In addition, during the year the Board decided to transfer from unappropriated reserve balance to other reserves as below:

- \$20,000 (transfer from \$11,600 in 2013) to reserve for capital expenditures and major repairs for future capital expenditures and major repairs; and
- \$500 (\$NIL in 2013) to reserve for office expenses for future office expenses.

9. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Trust is exposed to various risks through its financial instruments. The following analysis provides a measure of the Trust's risk exposure at the statement of financial position date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust's main credit risks relate to accounts receivable. The Trust mitigates credit risk by regularly monitoring the accounts. Management has included adequate provision for doubtful accounts receivable in these financial statements.

Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust is exposed to this risk mainly in respect of its accounts payable. The Trust expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust is not exposed to significant currency risk, interest rate and price risks.

TORONTO ISLANDS RESIDENTIAL COMMUNITY TRUST CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

10. GUARANTEES AND INDEMNITIES

The Trust has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions. The Trust has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of business, the Trust has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, the Trust agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Trust. The maximum amount of any potential liability cannot be reasonably estimated.

11. COMPARATIVE FIGURES

Certain of the 2013 comparative figures in the Statement of Financial Position have been reclassified to conform with the financial statement presentation adopted for the current year.